



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	5/23/02	Bill No:	AB 1936
Tax:	Special Taxes	Author:	Horton
Board Position:	Board-sponsored	Related Bills:	AB 1126 (AR&T)

BILL SUMMARY

This bill would authorize the Board to accept Special Taxes program returns by electronic media and prescribe the method of authenticating a return, and clarify information to be reported under the Diesel Fuel Tax Law.

ANALYSIS

Current Law

Under current Sales and Use Tax Law, the Board is authorized to accept sales and use tax returns by electronic media. Current law also requires that any return filed with the Board be authenticated in a manner prescribed by the Board.

Under existing Diesel Fuel Tax Law, Section 60204 requires each terminal operator to file with the Board a copy of any return required to be filed with the Internal Revenue Service (IRS) pursuant to Section 48.4101-4T of Title 26 of the Code of Federal Regulations. That return must be filed with the Board no later than 10 days after filing the IRS return.

Proposed Law

This bill would authorize the Board to accept Special Taxes program returns by electronic media and prescribe the method of authenticating a return.

This bill would also amend Section 60204 of the Diesel Fuel Tax Law to specify the information the terminal operator is required to file with the state, allow the state to accept the report filed with the Internal Revenue Service if the terminal operator gives consent, and correct the reference to the Code of Federal Regulations.

This bill would also add Section 60505.5 to the Diesel Fuel Tax Law to provide that claim for refund forms may include, but not be limited to, electronic media. The claim for refund forms would be authenticated in a form or pursuant to methods as may be prescribed by the Board.

In General

With the proliferation of computers, local area networks, and electronic mail, this bill would provide the Special Taxes Department with the opportunity to be responsive to these changing technologies. Many states have implemented forms of electronic transmission of returns, and both the Internal Revenue Service and the Franchise Tax Board are currently accepting returns through the use of electronic media. Recently the Board has received requests from the petroleum and trucking industries to allow them to file their returns electronically.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

There are many benefits to allowing taxpayers to file electronically. For example, as more and more taxpayers take advantage of the opportunity to file electronically, processing costs in the mailroom, the cashiering unit, the data entry group, and the file area could potentially be reduced. It could also reduce data entry errors and possibly provide for more accurate tax returns. In addition, over time, electronic filing could reduce the physical space needed for housing documents in expensive office space. Instead, returns and other documents could be stored on electronic media, such as magnetic tape or disks, in less expensive off-site locations. Electronic filing could also provide accessible, up-to-date return information in a more timely manner through its automatic entry of information into the computer system.

COMMENTS

1. **Sponsor and purpose.** The purpose of this Board-sponsored measure is to increase tax and fee payer convenience and choice in the method of filing returns and reports. This measure is also intended to streamline operations and reduce costs for processing tax return information.
2. **Summary of May 23 amendments.** These amendments remove the provisions that would have required the Board to grant to a qualified annual filer, as defined, a sales and use tax offset, in an amount equal to 1 percent of a qualified person's sales and use tax liability during a specified 12 month period.
3. **Summary of amendments.** The March 20, 2002 amendments made numerous non-substantive changes to the Special Taxes provisions of this bill, and added the sales and use tax offset provisions for a new trade or business in this state. The April 8 and 18, 2002 amendments specifically relate to the sales and use tax offset provisions.
4. **This bill would adopt provisions similar to the Sales and Use Tax Law for the following Special Taxes programs:** Motor Vehicle Fuel Tax Law, Use Fuel Tax Law, Cigarette and Tobacco Products Tax Law, Alcoholic Beverage Tax Law, Energy Resources Surcharge Law, Emergency Telephone Users Surcharge Law, Hazardous Substances Tax Law, Integrated Waste Management Fee Law, Oil Spill Response, Prevention, and Administration Fees Law, Underground Storage Tank Maintenance Fee Law, Fee Collection Procedures Law, and Diesel Fuel Tax Law.
5. **This measure would address requirements under the existing Diesel Fuel Tax Law whereby a terminal operator is required to file with the Board a copy of any return filed with the Internal Revenue Service.** That return must be filed with the Board within 10 days after filing with the Internal Revenue Service. In addition, the new Internal Revenue Service's ExSTARS system will require a terminal operator to file an electronic return at a secure web site and will provide the return to the state if the terminal operator signs a consent form.
6. **Related legislation.** Similar provisions were contained in last year's Board-sponsored AB 1126 (AR&T), which was held by the Assembly Appropriations Committee for unexplained reasons.

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COST ESTIMATE

This bill would authorize the Board to accept electronic returns but not require immediate implementation. The cost avoidance resulting from reduced workload and supplies is unknown because it is not possible to determine how many taxpayers would utilize this method of filing returns. However, any cost avoidance would be offset by any administrative cost associated with providing for the e-filing method.

REVENUE ESTIMATE

The provisions of this bill would not affect the state's revenues.

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